

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7367**

**BILL NUMBER: SB 302**

**NOTE PREPARED: Jan 4, 2007**

**BILL AMENDED:**

**SUBJECT:** Flood Insurance.

**FIRST AUTHOR:** Sen. Mrvan

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that a policyholder claim for flood damage coverage under a policy of property and casualty insurance must be filed within two years after the flood. It requires an insurance producer to notify a customer of, and have the customer accept or decline, each kind of coverage that may be provided under a proposed property and casualty insurance policy. The bill requires an insurance producer that sells, solicits, or negotiates flood insurance coverage to complete continuing education hours concerning flood insurance as a condition of license renewal.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** To satisfy the requirements for license renewal, an insurance producer that sells, solicits, or negotiates flood insurance coverage must complete at least 4 hours of credit concerning flood insurance. This provision will require the Department of Insurance (DOI) to monitor credits and adjust publications concerning licensure requirements which will require additional administrative expense. However, it is expected that the DOI will be able to cover any additional administrative expense given its existing level of resources.

The bill also provides that an insurance producer must provide oral and written notice in the form of a list to a customer of each kind of coverage that may be provided under a policy of property and casualty insurance and have the customer initial each kind of coverage specified on the list to clearly indicate whether the customer accepts or declines each kind of coverage.

Individuals suspected of violating the above provisions could be charged with committing an unfair and deceptive act or practice in the business of insurance and may be subject to a hearing by the Commissioner

of Insurance. The provision may increase the number of violations for which a hearing may ensue; however, the DOI should be able to handle any additional expenses given its current level of budget and resources.

The DOI is funded by both dedicated (DOI Fund) and state General Fund revenue.

**Explanation of State Revenues:** As a result of the hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.